

2019 Chairman's Letter

Fellow Shareholders,

In 2019, we celebrated Franklin Electric's 75th Anniversary, and my fellow employees and I are honored to continue to steward the combined vision of our founders, E.J. (Ed) Schaefer and T.W. (Wayne) Kehoe. These visionary engineers created Franklin Electric in 1944 in Bluffton, Indiana, and we are proud to have helped guide the company from a niche motor manufacturing company into a leading global provider of systems and components for moving water and fuel.

At Franklin Electric, we value our history, and continue to focus on our Key Factors for Success: quality, availability, service, innovation, and cost. Established more than 30 years ago, our Key Factors continue to ensure that our daily work provides value for our customers and informs our long-range planning process.

From a financial perspective, 2019 was a successful year despite some market challenges in our international channels, and historically wet weather affecting our groundwater business in North America. We were able to achieve strong cash flows, due in part to continued operational improvements and our commitment to inventory and working capital control. Our fueling business had another record year, growing its operating income through market share expansion, particularly in the very competitive U.S. markets. Our distribution business was able to gain traction in 2019, despite unfavorable conditions in the U.S. groundwater markets.

Operationally, 2019 was a year of significant organizational development. Late in the year, we announced the creation of a global water business, led by Don Kenney, a long-time Franklin executive. We have created a truly global product management function, leveraging our strengths in the North America, Latin America, EMEA and Asia Pacific markets. This reorganization will create cost efficiencies, but more importantly, will drive increasing standardization across our product portfolio, which will improve quality, availability and cost to our customers around the world. I am also proud to announce that our multi-year ERP conversion process is nearing completion, and more than 95 percent of our transactions in our manufacturing business now occur in a single, unified instance of a state-of-the-art system, and all of our transactions in our distribution business are on a single system as well. I am confident that we now have the visibility necessary to drive operational improvements that will have significant value for our shareholders, including improvements to our cash flow generation.

We continue to pursue our long-held strategy around inorganic growth, particularly focused on geographic expansion and product line extensions. In 2019, we continued to successfully integrate recent acquisitions in South America and in our distribution business and made additional acquisitions in the area of battery power monitoring (part of the expansion of our Grid Solutions business) and in the water filtration, conditioning and treatment space. Our recent financial performance has allowed us to de-lever our balance sheet, providing ample resources to pursue additional accretive acquisitions, and we will continue to follow this strategy.

The long-term financial stability of our company and return on our shareholders' continuing investment is paramount, but we recognize that our actions impact our customers, employees, business partners, and the residents of the communities we touch, and do so in positive ways. We directly employ more than 5,400 people in our global locations, partner with thousands of suppliers, customers and other businesses, and touch the lives of millions of end-users of our products.



Safety always comes first at Franklin Electric, and we are committed to protecting the health and safety of our employees, customers and end-users. We actively promote a GOAL ZERO culture in which we continually train employees on health and safety best practices with the goal of zero work-related injuries. We seek opportunities to promote safe work environments for employees in every role and support their health by offering competitive health insurance benefits and promoting wellness programs.

Through our innovative product designs, we blend the product performance our customers demand with critical safety features and proven energy efficiency that promote a smaller environmental footprint and a lower total cost of ownership. We dedicate significant resources to research and development, focusing on improvements to the efficiency of our products, easing their reliance on fossil fuels. We are beginning to create a framework through which we can hold ourselves accountable for the environmental and social impact of our business operations, relying heavily on global standard metrics like those established by the Sustainability Accounting Standards Board. We know that our shareholders hold themselves to the highest standards and they expect us to do the same. In the coming years, we will dedicate resources to measuring, reporting on, and reducing our environmental footprint.

Clean and readily available groundwater is vital to the health and well-being of much of the world's population, and the success of our water systems business is inextricably linked to this necessity. Pollution of groundwater aquifers represents a clear danger to human health, the environment, and our business. We therefore do our part by lowering our own environmental impact by mandating clean, sustainable manufacturing and distribution processes, and by designing products that themselves protect against environmental damage. Through our recently acquired filtration business, we are now providing the means to effectively treat, filter and condition drinking water, helping people ensure that their drinking water is safe for their families. We are investing in technologies that allow people to treat their water in environmentally responsible ways, without releasing chemical contaminants back into nature. Additionally, through our Franklin Wells for the World Foundation (FWWF), our mission is to provide safe, reliable, and cost-effective water supplies to suffering communities. Since 2010 FWWF has made a significant difference in the lives of over 100,000 people by installing wells to provide dependable access to clean water.

Our largest business unit depends on the protection of the world's aquifers, and our fueling business provides products and services that reduce the risk of contamination from liquid fuels. We pioneered advances in petroleum piping and containment systems, electronic leak detection and overfill protection, all of which make it possible for providers to safely keep up with the world's energy needs. Through our FFS PRO: University program, we provide the industry's premier training for petroleum equipment installation professionals. We focus not only on training and certification, but we also aim to serve as the industry leader in fueling system safety and continued learning.

We are exceedingly proud of the growth of Franklin Electric during the last 75 years. As we look to the future, we want to assure our shareholders that, as we continue to grow and to build upon our past successes, we thoughtfully consider and continuously recognize the impact we make on the people and the environment in the communities we serve.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregg C. Sengstack', written in a cursive style.

Gregg C. Sengstack

Chairman of the Board and Chief Executive Officer
Franklin Electric Co., Inc.